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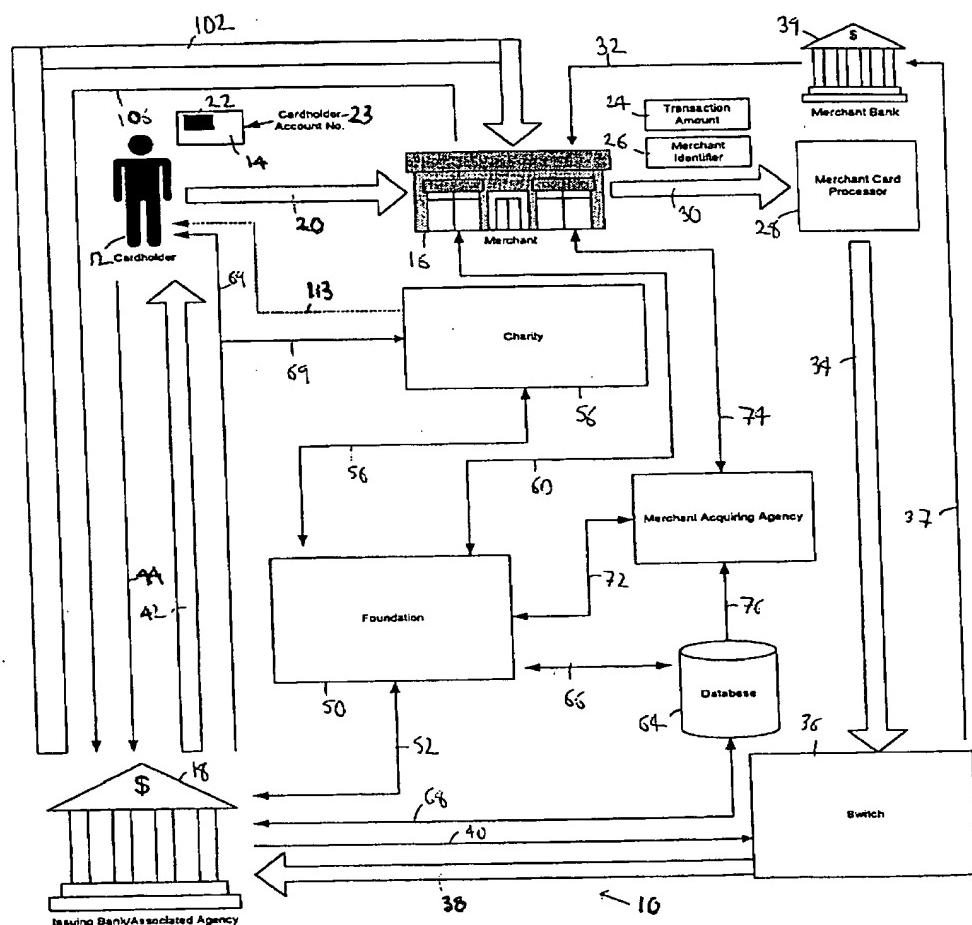
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(54) SYSTEME TRANSACTIONNEL A CARTES, Y COMPRIS DES

DISTRIBUTIONS AUX ŒUVRES DE BIENFAISANCE

(54) CARD BASED TRANSACTIONAL SYSTEM INCLUDING

DISTRIBUTIONS TO CHARITIES



(57) A card based transaction system enlists pre-screened, qualifying merchants to discount the prices of products and services a pre-negotiated amount so that cardholders purchasing from the participating merchants can designate the purchase rebate to prescreened, qualifying charities selected by the shareholders or keep the rebate. If the purchase rebate is donated, the cardholder may deduct the donation from taxes. The system is intended to complement existing card transaction systems and relies on the efforts of a foundation to pre-screen both the merchants and charities and on the efforts of an issuing bank or associated agency to communicate with both the foundation and with the cardholder.

65314-002

CARD BASED TRANSACTION SYSTEM
INCLUDING DISTRIBUTIONS TO CHARITIES

ABSTRACT OF THE DISCLOSURE

A card based transaction system enlists pre-screened, qualifying merchants to discount the prices of products and services a pre-negotiated amount so that cardholders purchasing from the participating merchants can designate the purchase rebate to prescreened, qualifying charities selected by the shareholders or keep the rebate. If the purchase rebate is donated, the cardholder may deduct the donation from taxes. The system is intended to complement existing card transaction systems and relies on the efforts of a foundation to pre-screen both the merchants and charities and on the efforts of an issuing bank or associated agency to communicate with both the foundation and with the cardholder.

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TITLE: CARD BASED TRANSACTIONAL SYSTEM
INCLUDING DISTRIBUTIONS TO
CHARITIES

INVENTOR: DAVID F. WOODROW

65314-002

**CARD BASED TRANSACTION SYSTEM
INCLUDING DISTRIBUTIONS TO CHARITIES**

FIELD OF THE INVENTION

5 The present invention relates to a card based transaction system and more specifically to a system wherein a portion of a purchase transaction between a participating consumer and a participating merchant is rebated back to the consumer to keep or use in making a contribution to a pre-approved charity.

BACKGROUND OF THE INVENTION

10 It has been proposed that a company sponsor a line of credit and debit cards to be known as company cards. The company cards are to be issued to cardholders by banks entering into license agreements with the company. The cardholder will be asked to designate a charitable organization to receive periodic payments based on the use of the company card at participating retailers.

15 The company will negotiate with retailers that want to become participating company card retailers. Pursuant to the licensing agreements, when a cardholder uses a company card to purchase an item from a participating retailer, a percentage of the purchase price will be transferred to the company. To identify a participating retailer, the cardholder will be given a list of participating retailers and the percentage of purchase price that each retailer will pay to

20 the company.

After a sale by a participating retailer to a cardholder, the agreed-upon percentage of the purchase price will be transferred to the company. The company will retain an administrative fee with the balance of the percentage of the purchase price being transferred to a custodial account maintained by the company on behalf of each cardholder. At

25 predetermined intervals, the moneys in a custodial account will be transferred to the charitable organization.

65314-002

There are significant problems with the proposed system. First, consumers do not want to have to carry a specialized card that only can be used at participating merchants for a charitable donation to be made to a pre-designated charity. Second, neither the merchants nor the cardholders are assured that the moneys collected will be used responsibly by a pre-selected charity. Further, by allowing any charity to be designated, charities serving the same general purpose within a geographic region may actually compete with each other for moneys generated by the system. The charities compete as equals without regard to the quality or extent of their services.

Another system is known which is associated with a more traditional credit card. A credit cardholder may make a donation to a cardholder-selected charity any time he makes a purchase using the credit card. The system comprises a credit card which identifies on its magnetic strip the charities which are to receive a charitable donation. As part of a credit card transaction, the charity information is read from the card's magnetic strip. The donated amounts may be paid by the card issuing organization or the cardholder herself. A merchant does not participate in the program. There are significant drawbacks with this system as well. The problem with monitoring the use of the moneys discussed above is still present. The encoding of information on the magnetic strip of a credit card requires substantial modifications to the traditional credit card transaction system to process the charitable contributions. and is not currently feasible. Further, a consumer is not able to easily modify the charity of choice without receiving a new encoded card.

SUMMARY OF THE INVENTION

The present invention is directed to a card transaction system for providing a purchase rebate that involves a charity, a foundation, a cardholder, a merchant, a card issuing organization and a charge settlement operation. The foundation pre-approves the charity's

65314-002

participation in the system, receiving information from a plurality of charities, comparing the information to pre-determined criteria and indicating which of the charities are pre-approved within the system. Similarly, the foundation pre-approves the merchant's participation in the system, receiving information from a plurality of merchants, comparing the information to pre-determined criteria and indicating which of the merchants are pre-approved within the system.

In practice a cardholder participating in the system can conduct purchase transactions with participating and non-participating merchants. When the purchase transaction is entered into with a merchant participating in the system for a product or service, the merchant agrees to provide a purchase rebate to the cardholder based upon a percentage of the purchase transaction.

After the purchase transaction between the cardholder and the merchant takes place, it is then forwarded to a charge settlement operation wherein the purchase rebate portion of the purchase transaction is transferred to the charity or to the cardholder who chooses to keep the rebate for personal use. The remainder of the purchase transaction amount by the cardholder less settlement processing fees is transferred to the merchant. In practice, the charge settlement operation either involves a single entity or multiple entities such as a merchant card processor, a switch, an issuing bank, and a merchant bank. The merchant card processor and the merchant bank are associated with the merchant and the issuing bank has a direct relationship with the cardholder.

For the system to work, a database is required which includes information concerning the participation of cardholders, merchants and charities, the amount of the purchase transaction, and the relationship of the cardholder to the charge settlement operation. The foundation and the charge settlement operation all require select access to the database.

65314-002

BRIEF DESCRIPTION OF THE DRAWINGS

The features and inventive aspects of the present invention will become more apparent upon reading the following detailed description, claims, and drawings, of which the following is a brief description:

- 5 Figure 1 is an overview of the process steps related to an inventive card transaction system of the present invention.

Figure 2 is an overview of the pre-screening and qualification of charities by a non-profit foundation which is then communicated to an issuing bank and to a cardholder as well as stored in a database.

- 10 Figure 3 is an overview of the pre-screening and qualification of merchants by the foundation which is then communicated to an issuing bank and a merchant acquiring agency as well as stored in a database.

Figure 4 is an overview of various database components intended for use in the inventive system.

- 15 Figure 5 is an overview of the process steps associated with completing a specific transaction once a charge with related information is received by the issuing bank.

Figure 6 is a first alternative embodiment with a merchant card processor having direct access to the database of the system such that it may directly deduct a purchase rebate from the amount of money to be paid to a participating merchant and then either forward the 20 purchase rebate to a charity, to the issuing bank, or the merchant bank by means of a system switch .

Figure 7 is a second alternative embodiment showing the merchant's participation in the system being directly communicated by the merchant as part of the charge sent to the merchant card processor, the merchant card processor deducting the purchase rebate from the

65314-002

amount of money to be paid to the participating merchant and then forwarding the purchase rebate to the issuing bank by means of a system switch.

Figure 8 is a third alternative embodiment with a switch having direct access to the database of the system such that it may directly deduct a purchase rebate from the amount of
5 money to be paid to a participating merchant and then either forward the purchase rebate to a charity or to the issuing bank.

Figure 9 illustrates that a third party agency may be associated with the issuing bank to provide many of the services of the system and to communicate directly with the merchants, charities, foundation, as well as the system database.

10 Figure 10 illustrates a simplified version of the inventive system when the merchant bank, merchant card processor, switch, and card issuing bank are the same entity.

DETAILED DESCRIPTION OF A PREFERRED EMBODIMENT

The present invention adds a number of significant improvements to the traditional card transaction systems that are known. It changes the way that individuals and businesses
15 think and act upon supporting the needs of their community. In contrast to the prior art, it is an attractive, stable and cost effective way to support vital, nonprofit community service organizations. The invention links both individual and business cardholders and merchant/suppliers through the purchase of products and services to create funds to donate to approved community service organizations. The donation opportunities are created through a
20 pre-negotiated merchant/supplier purchase rebate or similar customer incentive program to encourage customers to purchase products or services through bank issued credit, debit, private label or similar card products. The purchase rebates earned by the customers may be used as tax deductible charitable contributions to prescreened, qualifying charities selected by the cardholders or their company. Typically, the purchase rebates are a fixed percentage of

65314-002

the purchase transaction amount. The merchant/supplier incentive program, card products, card system network, electronic funds transfer, charity and merchant screening and the use of a specialized database are fundamental to creating, controlling and delivering donations from the cardholder to the nonprofit community service organizations and in providing reports on 5 donations for information and tax purposes.

The innovative card transaction system 10 is illustrated in Figure 1. It is envisioned that system 10 will apply to general purpose credit cards through existing card associations or bank card systems, private label cards, debit cards for individuals and businesses and corporate credit cards for procurement and travel/entertainment. It is also envisioned that the 10 system will rely on existing bank card system networks and electronic funds transfer processes such as ACH and Fedwire which provide credit and debit card authorization access for merchants and settle card transactions including confirming card authorization. There are a number of depository bank membership organizations that provide credit and debit card 15 authorization access to a merchant and processing networks for the settlement of card transactions. Such organizations include VISA®, MasterCard®, Discover®, and American Express®.

System 10 includes a cardholder 12 which refers to individuals or businesses who use credit and debit bank cards 14 to pay for purchases of products and services from a supplier or merchant 16. In an individual cardholder card application process, the individual assumes 20 the liability for all purchases on a card 14 issued by an issuing organization such as an issuing bank 18. In the business cardholder card application process, the business is viewed as the primary cardholder 12. As such, the business assumes the liability for all purchases on the cards it requests from issuing bank 18 for use by its employees for travel and entertainment or for business purchasing card programs.

65314-002

In practice, cardholder 12 uses card 14 to make a purchase transaction involving the charging of a product or service from merchant 16 as shown by line 20. Merchant 16 scans the card, which includes a magnetic strip or chip 22 with encoded information about the cardholder's account including cardholder account number 23 that also identifies the issuing bank 18 and transmits the information, transaction amount 24, and merchant identifier 26 by means of a traditional credit card authorization and settlement process. If the transaction is approved, the cardholder receives the product or service.

Merchant 16 submits the cardholder's charge to its merchant card processor 28 as shown by line 30. Merchant card processor 28 submits the cardholder's charge as shown by line 34 to a switch 36. The switch 36 includes representative credit card switches such as VISA® or MasterCard®, while one representative debit card switch is MagicLine®. The switch 36 performs the settlement process. From the switch 36 a merchant bank 39 maintaining a bank account for the merchant 16 is reimbursed, as shown by line 37 in Figure 1, for the cardholder's purchase less the purchase rebate and the processor/interchange settlement fee. The processor and card association portions of the discount fee are paid and the card-issuing bank 18 is charged by line 38. The issuing bank pays the amount of the cardholder's purchase less its portion of the discount fee as shown by line 40. Once the merchant bank 39 receives the reimbursement, it can forward it directly to the merchant 16 as shown by line 32.

All of this is part of the switch interchange process. For example, if the purchase price is 100, a typical processor/interchange settlement fee is 1.9 percent. Thus, the merchant 16 receives 98.1 percent, the processor 28 0.27 percent, the card association portion of the switch 36 0.08 percent, and the issuing bank pays 98.45 percent.

65314-002

Finally, the issuing bank 18 will charge cardholder 12 for the transaction as shown by line 42 as part of a periodic statement and the cardholder will pay the cost of the transaction to the issuing bank as shown by line 44. If a debit card is used, then the amount of the charge is directly deducted from a direct deposit account ("DDA") of a cardholder 12. Once again, 5 however, the cardholder 12 is notified at periodic intervals of the transaction.

Unlike a traditional card transaction system, issuing bank 18 or a business entity associated with the issuing bank has a relationship with a non-profit foundation 50 as shown by line 52. In turn foundation 50 has relationships with pre-approved charities 56, shown by line 58. Foundation 50 also has relationships with pre-approved merchants 16, shown by line 10 60.

A key feature of the present invention is the approval of charities 56 to participate in system 10. As shown in Figure 2, foundation 50 will pre-approve charities 56 as shown by lines 58 according to a number of different parameters to determine whether they may participate in the system. Information concerning the approval of a charity 56 is stored in a 15 database 64 as shown by line 66, where it may be queried by the issuing bank 18, as shown by line 68. Issuing bank 18 will pay a charity 56, shown by line 69, as discussed below.

The types of charity database components 70 stored in database 64 are illustrated in Figure 4. Charity database components preferably include at least the following components:

- charity name;
- 20 a unique charity identifier established by Foundation 50;
- the charity's federal identification number (e.g., to allow foundation 50 to verify a charity's non-profit status or to allow the bank 18 to report the transmittal of the charity amount to the appropriate governmental agencies);
- charity address information;

65314-002

- charity corporate form (e.g., is it an IRS approved 501(c)(3) type charity);
 - EFT transit information (to permit the issuing bank 18 to deposit accrued purchase rebates into the bank account of a particular charity);
 - application processing information (e.g., application receipt and approval dates,
 - 5 approval renewal dates, and rejection date if applicable);
 - charity classification (e.g., national or local charity, the type of charity such as food, health services, social services, child care, missing persons care, clothing, shelter, education programs supporting the arts or programs supporting the environment);
 - charity evaluation scoring (e.g., the accept or reject value if a numeric scoring is
 - 10 undertaken);
 - charity donation statistics (e.g., accrued unpaid account balance and total amount of donations, as well as the total donation made by each cardholder); and
 - Single donor transaction amounts above a fixed amount (e.g., \$250 in the United States) or more by the cardholder by charity for tax deduction reporting to the cardholder.
 - 15 The status of a particular charity 56 may be updated at any time.
- The selection and on-going screening of charities 56 and merchants 16 by foundation 50 provides a number of significant benefits. The screening provides assurances to the cardholder 12 and participating merchants 16 that only qualifying organizations are receiving donations and participating in the system 10. The screening process is an efficient, low-effort
- 20 means to support pre-screened, qualifying nonprofit, charitable causes at the local community level as well as at the national and international levels. Yet, if a charity 56 acts in a way that is not desired by a cardholder 12, the cardholder may easily change a charity selection, thus forcing charities to be responsive to the concerns of their contributors. Further, the merchants 16 are able to provide a significant, stable, and more predictable source of charitable

65314-002

contributing based on sales and can advertise their efforts to assist charitable organizations.

The charities themselves receive a more predictable, continuous source of funding.

Another key feature of the invention is the willingness of a merchant 16 to provide a purchase rebate for use by cardholder 12 as opposed to traditional rebates and the like which 5 have been sponsored by issuing bank 18. To facilitate such a rebate, a third party merchant acquiring agency 71 may have a relationship with both foundation 50 and with the merchant 16 as shown by lines 72 and 74 respectively. Agency 71 approaches a merchant 16 to encourage it to participate in system 10. If the merchant 16 agrees, the foundation 50 10 conducts a review such as that in Figure 3 and represented by line 60 to make sure that the participation is in the best interest of both the charities 56, the issuing bank 18, and the cardholder 12. Such agencies are in the business of acquiring merchants to use bank cards and have pre-existing card relationships. In many cases, the agencies 71 provide point-of-sale materials and supplies to the merchants 16.

Information concerning the merchant, including the merchant identifier 26 for use 15 within system 10 and approval for participation in system 10 is also stored in database 64 as shown by line 66. Agency 71 may access information about a merchant 16 by querying the database as shown by line 76, but it may not directly add information about the merchant. In some situations, as with national based merchants, a relationship may have been developed 20 directly between foundation 50 and the merchant 16 as shown by line 60 without the assistance of agency 71. In such situations, agency 71 plays no role. Often, issuing bank 18 plays the role of agency 71. However, unlike foundation 50, an issuing bank 18 cannot typically unilaterally determine the participation of a merchant 16 within system 10.

Preferred information stored in database 64 as merchant database components 78 include:

65314-002

the merchant name;

merchant identifier 26 provided by the traditional card approval system as discussed above;

federal identification number;

5 merchant address information;

application processing information (e.g., application receipt and approval date, approval renewal date, and rejection date if applicable);

rebate type (e.g., the percentage of contribution based on transaction amount or comparable discount or incentives);

10 merchant evaluation scoring (e.g., the accept or reject value if a numeric scoring is undertaken);

the type of rebates that the merchant will provide (e.g., the amount of the rebate may be lower if the cardholder decides to keep it as opposed to donating it); and

merchant purchase rebate volumes (e.g., cumulative annual dollar amount in total, by

15 keepers, by donors, by charity; and number of purchase rebate transactions in total, by keepers, by donors and by charity). As with charities 56, the merchant database components 78 may be updated at any time.

The issuing bank 18 offers transaction card system 10 to qualified individuals and corporate clients employing cardholders 12 as shown by line 42 in Figure 1. At the time of

20 applying for participation and subsequently on a periodic basis, either the cardholder or its employer, in the case of a corporate program, provides many of the cardholder database components 80 which are stored in database 64, as illustrated in Figure 4.

If the cardholder 12 already has a card from the issuing bank 18, pre-existing cardholder database components 80 may include the cardholder name, cardholder account

65314-002

number 23, cardholder security number or company information, cardholder address information, and cardholder purchase transaction information (e.g., by merchant, merchant classification, and by amount). New information to be added to database 64 includes a yes/no switch based on cardholder participation in system 10, and a yes/no switch based on

5 "keeping" or "donating" the purchase rebate. If cardholder 12, or her company in the case of a corporate card, decides to donate the purchase rebate then database 64 includes the unique charity identifiers associated with the charities 56 selected by the cardholder and approved by foundation 50 as discussed above. The charity information is retrieved by the issuing bank 18 from database 64 as shown by line 68 and provided to the cardholder as shown by line 42.

10 It is also envisioned that a cardholder 12 may decide to make additional voluntary additional contributions, such additional contributions may be based, for example, on a percentage of purchases or a fixed amount per billing period. Alternatively, a cardholder 12 may submit an additional charitable donation at the time of paying the cardholder billing statement and indicating the additional amount to be directed to one or more selected
15 charities. Such modifications are included as part of the rebate type. Thus, the term "rebate type" typically includes fixed monetary percentages or comparable incentives agreed to by a merchant 16, modifications made by the issuing bank 18 (e.g., making a contribution to the purchase rebate amount), and modifications made by the cardholder 12 (e.g., making an additional charitable contribution).

20 When a cardholder 12 earns purchase rebates, the information is also stored in the database 64. Such purchase rebate statistics preferably include the cumulative annual dollar amount and how the purchase rebate has been distributed.

Many of the database components are intended only to be illustrative. However, for system 10 to function, the database components must include the ability to determine

65314-002

cardholder, merchant, and charity participation as well as the transaction amount. As shown in Figure 5, when a charge 38 reaches the issuing bank 18, the information associated with the charge includes the merchant identifier 26, the transaction amount 24, and the cardholder account number 23. At process point 81 the issuing bank 18 provides whatever information
5 is required on the cardholder 12 and charges the full purchase price associated with the merchant transaction as represented by line 42 in Figure 1. Then the merchant portion of the transaction terminates at end point 90. At process point 82, the cardholder 12 pays the issuing bank 18 the full amount of the charge or at least a minimum amount with the remaining balance paid over time as represented by line 44 in Figure 1. The cardholder
10 portion of the transaction then terminates at end point 84. At the same time, however, at decision point 86 database 64 is queried by means of an identifying criteria such as cardholder account number 23 to determine if the cardholder associated with the charge is participating in the transaction system 10. If the answer is "yes" then the database is again queried at decision point 88 to determine if the merchant identifier corresponds to a merchant
15 16 participating in the system. If either the cardholder 12 or the merchant 16 associated with a charge 38 received by issuing bank 18 is not participating in system 10, then the merchant portion of the transaction terminates at end point 90. However, if both the cardholder 12 and the merchant 16 are participating in the system 10, then at decision point 92, the database 64 is queried to determine if the cardholder is keeping the purchase rebate or donating it. If the
20 cardholder 12 decides to donate the purchase rebate then the process branches so that at process point 94, the selected charities are determined. It is envisioned that a cardholder 12 might decide to donate a portion of purchase rebate and retain the remainder for herself. Then at process point 96 the type of rebate is determined based on the decisions made by the merchant 16, issuing bank 18, and the cardholder 12, as discussed above. At process point 98

65314-002

the rebate is calculated based on the transaction amount and the rebate type. Then at process point 100 the issuing bank charges the purchase rebate amount as represented by line 102 in Figure 1. In turn, the merchant pays the purchase rebate amount as shown at process point 104 and represented by line 106 in Figure 1. The received purchase rebate is put in escrow accounts by the card issuing bank 18 for either the cardholder 12 or the selected charities 56 as shown in process point 108, and database 64 is updated. Then the merchant portion of the transaction terminates at end point 90.

While not shown, it is possible that a portion of the purchase rebate may be paid to the foundation 50, associated agency 114 (as shown in Figure 9 and discussed further below) or 10 to the issuing bank 18 to cover their administrative and processing costs. Further, the issuing bank 18 may pay a portion of the purchase rebate in lieu of other incentives to gain greater merchant acceptance of the system 10 or to encourage additional cardholders 12. To participate in system 10, the charities 56 may be required to make periodic payments to the foundation 50 to cover the screening and evaluation process.

15 At predetermined times, the issuing bank 18 will make payments to either the charities 56 or to the cardholder 12, as shown by line 69, based upon the purchase rebate escrowed. The issuing bank 18 will inform the cardholder of the amount and nature of the payments in a fashion discussed above. Such information will typically include the names of the charities selected and the cash amount received by each charity. However, in some cases, 20 a charity 56 may need to directly communicate with a cardholder 12, such as to provide a receipt to confirm a donation of the purchase rebate. In such cases, the communication is represented by line 113 in Figure 1. The charity 56 receives the necessary information directly from the foundation 50.

65314-002

The ability of a cardholder 12 to claim a tax deduction is based on various criteria that are an integral part of system 10. The cardholder 12 earns a purchase rebate that is valued as and is convertible to cash. The cardholder has control of the purchase rebate and can choose to keep it or to donate it. If making a donation, the cardholder 12 has the right to select from 5 various approved charities 56 to receive the donation. System 10 also provides for the cardholder 12 to periodically change the choices for the receipt of the purchase rebate without having to be issued a new card having the information encoded thereon.

In summary, the present invention provides an elegant, powerful mechanism for charitable giving, empowering individual consumers and business purchasers to use their 10 purchasing power at qualifying, participating merchants to bring funding to qualifying charitable organizations. The new channel of giving of the present invention creates lasting relationships which link the various participants.

From a broad economic and philanthropic perspective, the present invention is a win-win for all of the participants. The benefits to charities include the stable, predictable, low 15 effort source of funding. The benefits to the cardholder include the tax deduction for their giving and the ability to effortlessly support their preferred, qualifying charities through the use of their card for purchases. In essence, the cardholders can "vote" with their purchasing behavior with participating merchants to support deserving, responsible charities. This empowerment extends to corporate cardholders as well. Business will have the opportunity 20 through corporate and purchasing cards to designate qualifying charities and broaden the base of their financial support (e.g., through procurement processes with participating, qualifying suppliers). For many businesses, this will greatly simplify the giving process. The benefits to the merchant include growing a loyal base of customers who choose to do business with the merchant because of its participation and support for charitable causes. For merchants,

65314-002

the present invention also streamlines charitable giving by leveraging the foundation's pre-qualification of charitable organizations. The invention also encompasses the use of debit cards, which allows a broader range of consumers to participate and increases the funding potential for qualifying charities.

5 A first alternative embodiment to the portion of system 10 involving charging a merchant 16 the purchase rebate amount is shown in Figure 6. In the first alternative embodiment, merchant card processor 28 has access to database 64. Therefore, if the cardholder 12 and the merchant 16 are participants, the merchant card processor 28 can determine the rebate type, compare the transaction amount to the type of rebate, and then
10 discount the payment back to the merchant bank 39 as shown by line 37' by the amount of the purchase rebate. In turn, merchant bank 39 discounts the payment back to the merchant 16 as shown by line 32'. Thus, merchant card processor 28 can pay the purchase rebate directly to the pre-selected charities 56 as queried from the database 64 and shown by line 110. Alternatively, merchant card processor 28 can forward the purchase rebate to the merchant
15 bank 39 which will then escrow the purchase rebates and pay them at predetermined times or itself immediately forward a purchase rebate as shown by line 110'. If neither the merchant card processor 28 nor the merchant bank 39 pay a charity 56 then the merchant processor 28 forwards the entire charge with purchase rebate to switch 36 for forwarding to issuing bank 18. The latter process is followed if the cardholder 12 decides to keep the purchase rebate or
20 if it is preferable for issuing bank to escrow the donated purchase rebate before forwarding it to the designated charities 56.

 A second alternative embodiment of the present invention is shown in Figure 7. In the second alternative embodiment, additional information 112 such as the participation of a merchant 16 is provided as part of the information forwarded as part of the charge represented

65314-002

by line 30'. Thus, the information is provided at the point of sale. Other possible information to capture at the point of sale may include the product type or SKU, particularly if the nature of the product affects the ability to provide a purchase rebate (e.g., alcoholic or tobacco products may not be subject to a rebate). The merchant card processor 28 then has the ability 5 to decipher the participation and rebate type that the merchant has agreed to and can discount the payment back to the merchant by the amount of the purchase rebate. Then the charge and the purchase rebate are forwarded to the switch 36 by means of line 34.

A third alternative embodiment to the portion of system 10 involving charging a merchant 16 the purchase rebate amount is shown in Figure 8. In the third alternative 10 embodiment, switch 36 has access to database 64. Therefore, if the cardholder 12 and the merchant 16 are participants, the switch 36 can determine the rebate type, compare the transaction amount to the type of rebate, and then discount the payment back to the merchant bank 39 as shown by line 37' by the amount of a purchase rebate. In turn, merchant bank 39 can charge the merchant 16 the purchase rebate amount or deduct it from the payment to the 15 merchant. Thus, switch 36 can pay the purchase rebate directly to the pre-selected charities 56 as queried from the database 64 and shown by line 110''. Switch 36 may escrow the purchase rebates and pay them at predetermined times or immediately forward a purchase rebate. Alternatively, switch 36 may forward the entire charge 38 with purchase rebate to 20 issuing bank 18. The latter process is followed if the cardholder 12 decides to keep the purchase rebate or if it is preferable for issuing bank to escrow the donated purchase rebate before forwarding it to the designated charities 56.

An advantage of the three alternative embodiments is that the issuing bank 18 does not have to separately charge a merchant 16 for the purchase rebate as discussed above. A current disadvantage of the alternative embodiments is that the implementation requires

65314-002

modification to the traditional card processing system currently used. The second alternative embodiment also limits the type of rebate types that are used since access to the database 64 is not provided. Further, the three alternative embodiments make it more difficult for the issuing bank to contribute to the purchase rebate.

5 Figure 9 shows an issuing bank 18 associated with a separate agency 114 as represented by line 115. It is envisioned that an issuing bank may involve the services of a separate agency to administer many of the functions of transaction system 10. A portion of the purchase rebate may be used to administer the functions of the separate agency. Alternatively, the issuing bank 18 may pay the agency directly. The types of services to be
10 provided by the outside agency 114 may include acquiring participating merchants in a manner similar to that of agency 71, interacting with foundation 50, and maintaining the charity portion of the database 64 on behalf of the issuing bank 18. One agency 114 may serve a number of different issuing banks 18 and may even be licensed by the foundation 50. Typically, the issuing bank 18 stays as part of the transaction system 10 as shown in Figure 1,
15 from the standpoint of settling charges 38 received from switch 36 as represented by line 40; charging cardholder 12 as represented by line 42 and receiving payments as represented by line 44; and charging a merchant 16 as represented by line 102 and receiving a payment as represented by line 106.

The location of database 64 within transaction system 10 is flexible, as long as the
20 necessary parties have access to it when required. Typically, the database will reside with the foundation 50, the agency 114, or the issuing bank 18. It is also possible for portions of the database 64 to be split among one or more of the parties as part of their own data processing systems. Thus, each of the parties can carefully control the appropriate access to information which they deem confidential or proprietary and make sure that access is appropriately

65314-002

controlled. For example, in the embodiment of Figure 6, the merchant bank processing system may comprise a portion of database 64. If the database 64 is split, however, the foundation 50 controls the information associated with both participating charities 56 and participating merchants 16 as discussed above.

5 While not shown, it also possible to provide direct access to database 64 to the cardholders 12 so that they may determine the participation of select merchants 16, the types and amounts of contributions made to date, and revise their selection of charities 56. Such access may be provided, for example, by an Internet web site. However, at the very least, the necessary information will be provided by the issuing bank 18 in the form of card statement
10 inserts or other forms of notification.

A simplified version of a transaction system 10' is illustrated in Figure 10. In practice, merchant card processor, switch 36, merchant bank 39, and issuing bank 18 and any associated agency 114 and the traditional connections between them represent a charge settlement organization. The functions of these various entities may be combined into a
15 single entity known as a closed loop card arrangement 116. Examples of systems 10' include Discover® and American Express®. As a result, the number of connections between the various participants to the system has been greatly simplified.

In practice, the cardholder 12 goes to a merchant 16 and charges a product or service. The transaction information, including the charge, is transmitted to arrangement 116 by way
20 of line 30. Arrangement 116 will query database 64 as shown by line 68 and determine if both the cardholder 12 and the merchant 16 are participants in the purchase rebate portion of the system. If so, then the arrangement 116 will then pay the merchant 16 the purchase price less the purchase rebate as shown by line 32'. Arrangement 116 will charge and inform the cardholder 12 by way of line 42 and receive information and payments by way of line 44.

65314-002

The closed loop card arrangement 116 will periodically pay the pre-selected charities as shown by line 69, and the charity will inform the cardholder 12 if required as shown by line 113. The line of communication between foundation 50 and the arrangement 116 is shown by line 52. Finally, the foundation 50 will approve and monitor both the charities 56 and the 5 merchants 16 in the manner discussed above, as represented by lines 58 and 60 respectively.

The disclosed embodiments and examples are given to illustrate the present invention. However, they are not meant to limit the scope and spirit of the present invention. For example, if a debit card is used as opposed to a credit card, a charge 38 is taken directly from the cardholder's account. The cardholder is then informed of the deduction from the account 10 as part of a periodic statement. Therefore, the present invention should be limited only by the appended claims.

65314-002

CLAIMS

What is claimed is:

1. A card transaction system for providing a purchase rebate comprising:
 - a charity;
 - a foundation, said foundation pre-approving said charity's participation in said system;
 - a cardholder, said cardholder participating in said system and selecting said charity to receive a purchase rebate;
 - a merchant, said merchant participating in said system and entering into a purchase transaction with said cardholder involving said cardholder charging for either a product or service with said merchant agreeing to provide at least a portion of said purchase rebate based upon a percentage of said purchase transaction; and
 - a charge settlement operation, wherein said purchase transaction involves a transfer of said purchase rebate to said charity and a payment of at least a portion of the remainder of said purchase transaction by said cardholder.
2. A card transaction system as recited in claim 1, wherein said purchase rebate provides a tax deduction to said cardholder for the value of said purchase rebate.
3. A card transaction system as recited in claim 1, further including a database with information regarding the participation of said cardholder, said merchant, and said charity within said system, said purchase transaction, and the relationship of said cardholder to said charge settlement operation, said database accessible to said foundation and to said charge settlement operation.
4. A card transaction system as recited in claim 3, further including at least one of a non-participating cardholder and a non-participating merchant, wherein said charge settlement

65314-002

operation settles a purchase transaction involving said at least one of a non-participating cardholder and a non-participating merchant.

5. A card transaction system as recited in claim 4, wherein said charge settlement operation comprises:

a merchant bank, said merchant bank settling said purchase transaction for said merchant by reimbursing said merchant for at least a portion of said purchase transaction with said cardholder;

a switch, said switch settling said purchase transaction for said merchant bank by reimbursing said merchant bank for at least a portion of said purchase transaction with said cardholder; and

an issuing bank, said issuing bank reimbursing said switch for at least a portion of said purchase transaction with said cardholder.

6. A card transaction system as recited in claim 5, wherein said merchant bank or said switch determines said merchant for said purchase rebate and pays said purchase rebate received from said merchant to said charity.

7. A card transaction system as recited in claim 5, said charge settlement operation further including a merchant card processor, wherein said merchant card processor determines said merchant participation in said system and deducts said purchase rebate from a payment to said merchant of said at least a portion of said purchase transaction with said cardholder, wherein means to determine said merchant participation comprises information received during said purchase transaction with said cardholder or access to said database.

8. A card transaction system as recited in claim 7, wherein said merchant card processor or said merchant bank has access to said database, determines said charity and forwards said purchase rebate to said charity.

65314-002

9. A card transaction system as recited in claim 7, wherein said merchant card processor forwards said purchase rebate to said issuing bank.

10. A card transaction system as recited in claim 3, wherein said foundation receives information from a plurality of charities, compares said information to pre-determined criteria and indicates pre-approved ones of said charities within said system, and stores said pre-approved charities within said database for access by said settlement operation.

11. A card transaction system as recited in claim 3, wherein said database comprises:
charity database components, said charity database components including a charity name, a unique charity identifier, confirmation that said charity is a pre-approved charity within said system, and charity donation statistics;

merchant database components, said merchant database components including a merchant name, a merchant identifier, and purchase rebate statistics; and
cardholder database components, said cardholder database components including a cardholder name, cardholder account number, confirmation that said cardholder is participating within said system, and a listing of one or more of said unique charity identifiers representing each said charity to receive at least a portion of said purchase rebate from said purchase transaction with said merchant.

12. A card transaction system as recited in claim 11, wherein said database includes a rebate type representing the percentage of contribution to said charity based on transaction amount, said rebate type determined by said merchant.

13. A card transaction system as recited in claim 12, wherein said rebate type includes additions to be made to said purchase rebate by said settlement organization or said cardholder.

65314-002

14. A card transaction system as recited in claim 1, wherein said foundation receives information from a plurality of merchants, compares said information to pre-determined criteria and indicates pre-approved merchants within said system, said merchant representing one of said pre-approved merchants.

15. A card transaction system as recited in claim 1, wherein a plurality of purchase rebates for said charity are escrowed within said charge settlement operation and are periodically distributed to said charity.

16. A card transaction system for providing a purchase rebate comprising:

a charity;

a foundation, said foundation pre-approving said charity's participation in said system, said charity receiving information from a plurality of charities, comparing said information to pre-determined criteria and indicating pre-approved ones of said charities within said system;

a cardholder, said cardholder participating in said system and selecting said charity to receive a purchase rebate;

a merchant, said merchant participating in said system and entering into a purchase transaction with said cardholder involving said cardholder charging for either a product or a service with said merchant agreeing to provide at least a portion of said purchase rebate based upon a percentage of said purchase transaction;

a charge settlement operation, wherein said purchase transaction involves a transfer of said purchase rebate to said charity and a payment of at least a portion of the remainder of said purchase transaction by said cardholder; and

a database with information regarding the participation of said cardholder, said merchant, and said charity within said system, the amount of said purchase transaction, and

65314-002

the relationship of said cardholder to said charge settlement operation, said database accessible to said foundation and to said charge settlement operation, and including charity database components, said charity database components including a charity name, a unique charity identifier, and confirmation that said charity is a pre-approved charity within said system.

merchant database components, said merchant database components including a merchant name, a merchant identifier, and purchase rebate statistics, and cardholder database components, said cardholder database components including a cardholder name, cardholder account number, confirmation that said cardholder is participating within said system, and a listing of one or more of said unique charity identifiers representing each said charity to receive at least a portion of said purchase rebate from said purchase transaction with said merchant.

17. A card transaction system as recited in claim 16, wherein said foundation receives information from a plurality of merchants, compares said information to pre-determined criteria and indicates pre-approved merchants within said system, said merchant representing one of said pre-approved merchants.

18. A card transaction system as recited in claim 16, wherein said charge settlement operation comprises:

a merchant bank, said merchant bank settling said purchase transaction for said merchant by reimbursing said merchant for at least a portion of said purchase transaction with said cardholder;

a switch, said switch settling said purchase transaction for said merchant bank by reimbursing said merchant bank for at least a portion of said purchase transaction with said cardholder; and

65314-002

an issuing bank, said issuing bank reimbursing said switch for at least a portion of said purchase transaction with said cardholder.

19. A card transaction system as recited in claim 18, further including at least one of a non-participating cardholder and a non-participating merchant, wherein said charge settlement operation settles a purchase transaction involving said at least one of a non-participating cardholder and a non-participating merchant.

20. A card transaction system as recited in claim 18, wherein said issuing bank includes a bank and a third party associated with said bank.

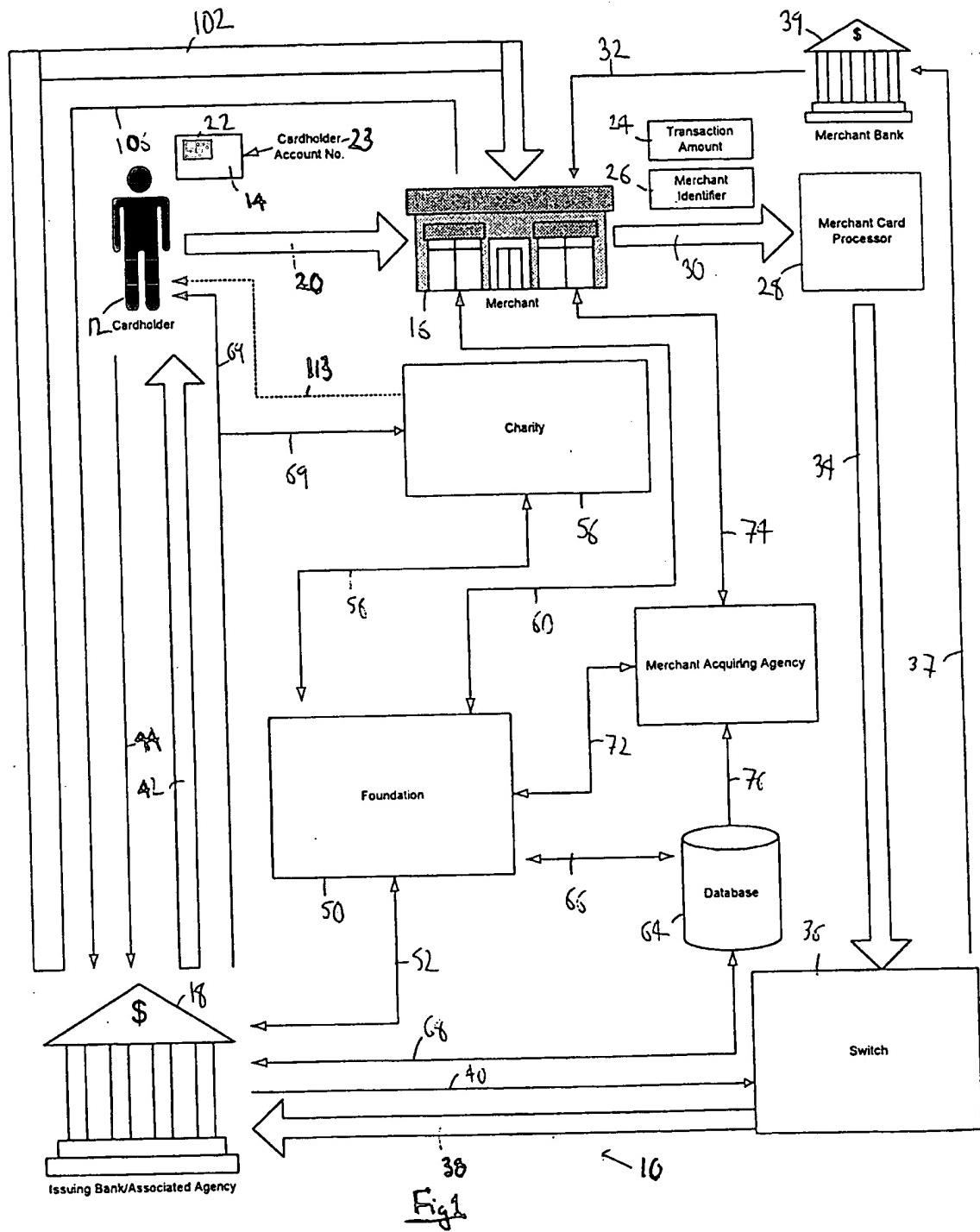
21. A card transaction system as recited in claim 16, wherein said charge settlement operation consists of a closed loop card arrangement fulfilling the role of a merchant bank, a switch, and an issuing bank.

22. A card transaction system as recited in claim 16, wherein said cardholder may select a plurality of charities, each of said charities receiving a pre-selected pro rata portion of said purchase rebate.

23. A card transaction system as recited in claim 22, wherein said cardholder receives a tax deduction for the amount of said purchase rebate.

65314-002

24. A method of transferring a purchase rebate to a charity comprising the steps of:
- a cardholder charging for goods or services at a merchant by means of a purchase transaction;
- said merchant charging a charge settlement operation for at least a portion of said purchase transaction and receiving at least a partial reimbursement of said purchase transaction;
- a foundation pre-approving a charity to receive a purchase rebate based on said purchase transaction according to pre-determined criteria;
- said cardholder selecting said charity to receive said purchase rebate in advance of said purchase transaction and said selecting being stored in a database accessible to said charge settlement operation and said foundation;
- said merchant paying at least a portion of said purchase rebate to said cash settlement operation; and
- said charge settlement operation transferring said purchase rebate to said charity.



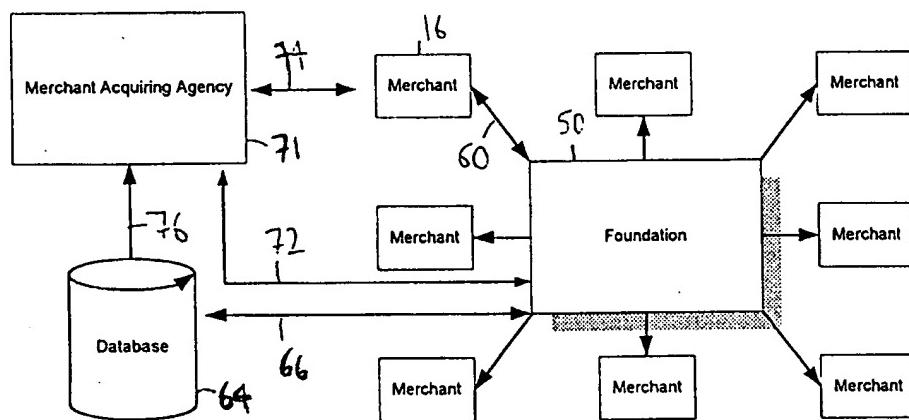
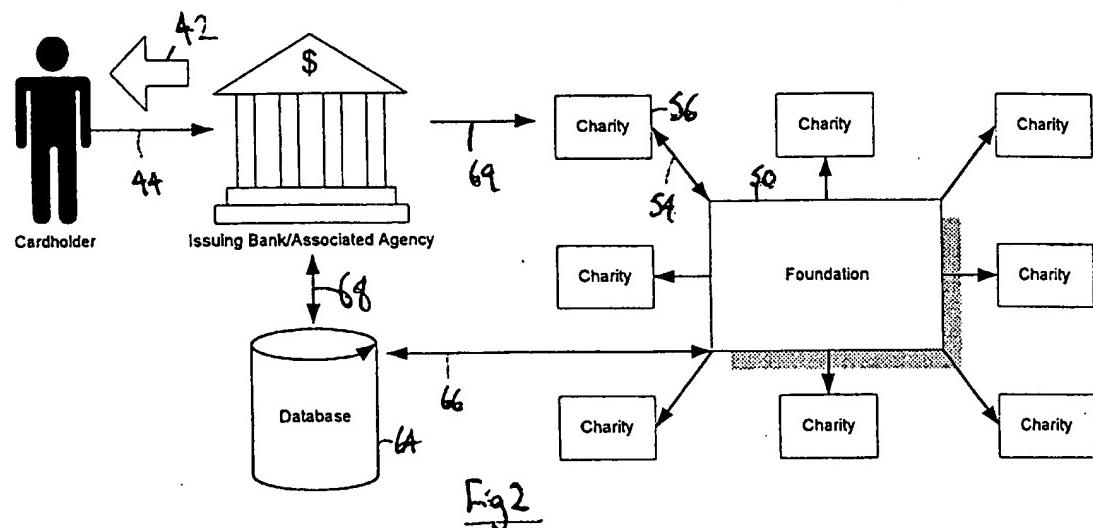
Fig 3

Fig4

80

Cardholder Database Components:

- Cardholder Name
- Cardholder Account Number
- Cardholder Social Security Number
- Cardholder Address Information
- Cardholder Purchase Transactions
- Yes/No Switch based on cardholder participation in system
- Yes/No Switch based on "Keeping" or "Donating" "cash rebate"
- Unique Charity Identifiers if "Donating"
- Rebate Type if "Donating"
- Purchase Rebate volumes and distribution

70

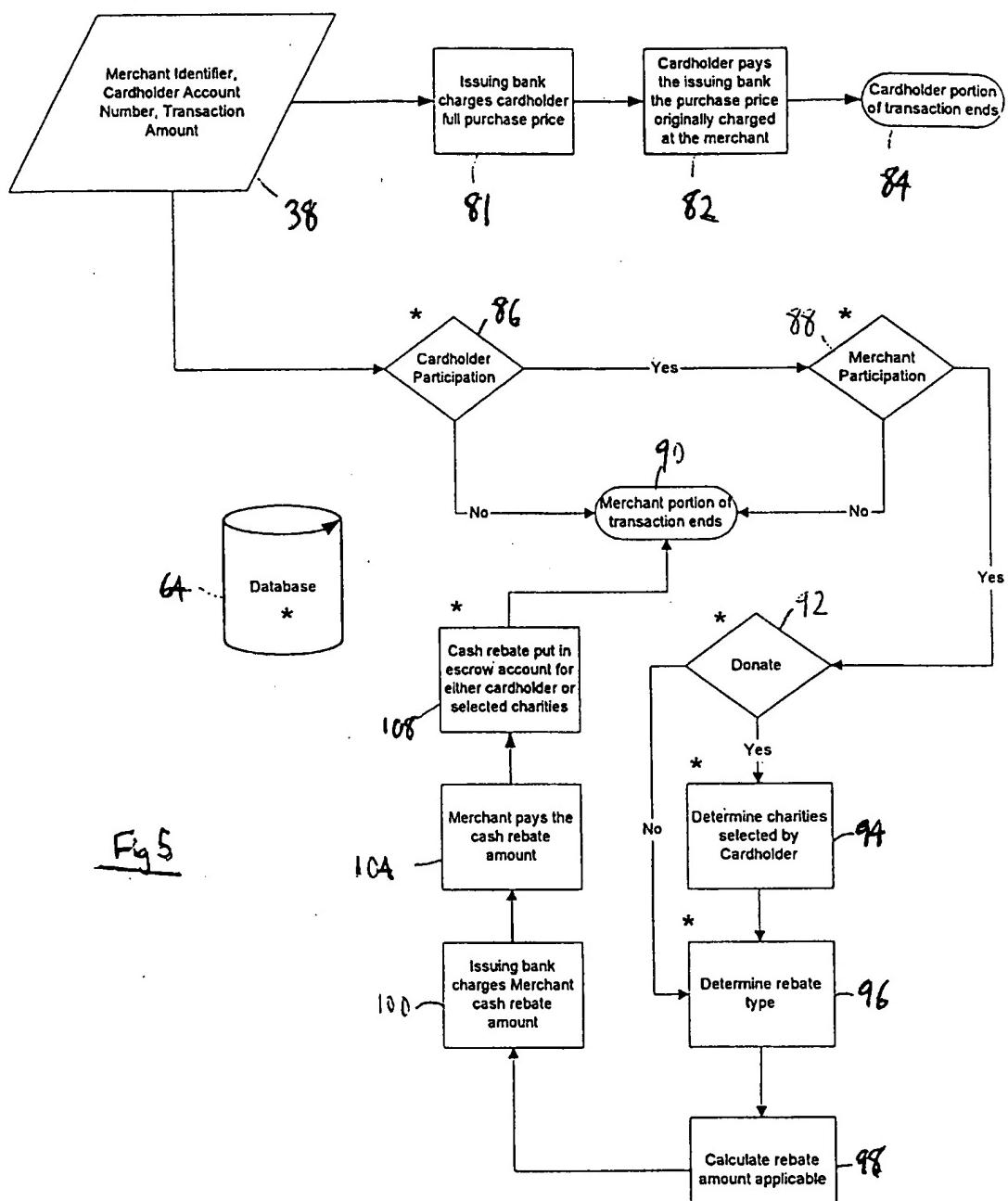
Charity Database Components:

- Charity Name
- Unique Charity Identifier
- Federal Identification Number
- Charity Address Information
- Charity Corporate Form (e.g., 501(c)(3))
- EFT Transit Routing (e.g., Bank Account Number)
- Application Processing
 - Application Receipt Date
 - Application Approval Date
 - Renewal Due Date
 - Rejection Date
- Charity Classification
- Charity Evaluation Scoring (e.g., accept/reject value if numeric)
- Charity Donation Statistics (e.g., accrued unpaid account balance and total amount of donations)
- Single donor transaction amounts above a fixed amount (e.g., \$250 in the United States) or more by the cardholder by charity for tax deduction reporting to the cardholder.

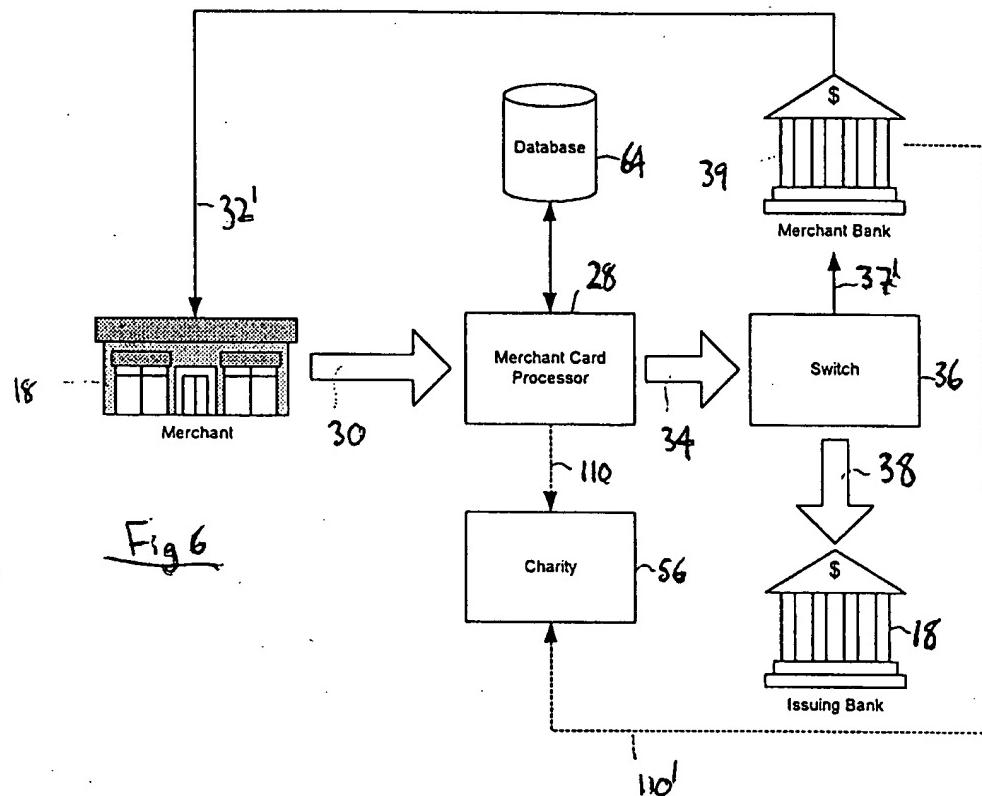
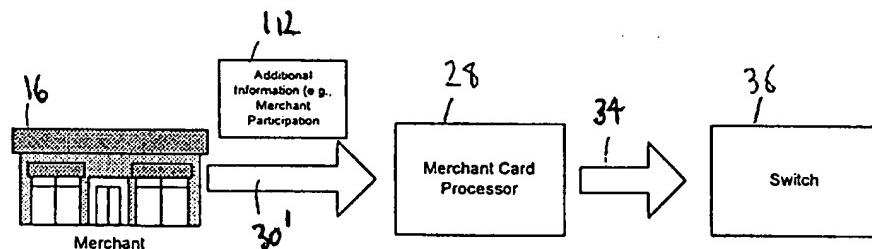
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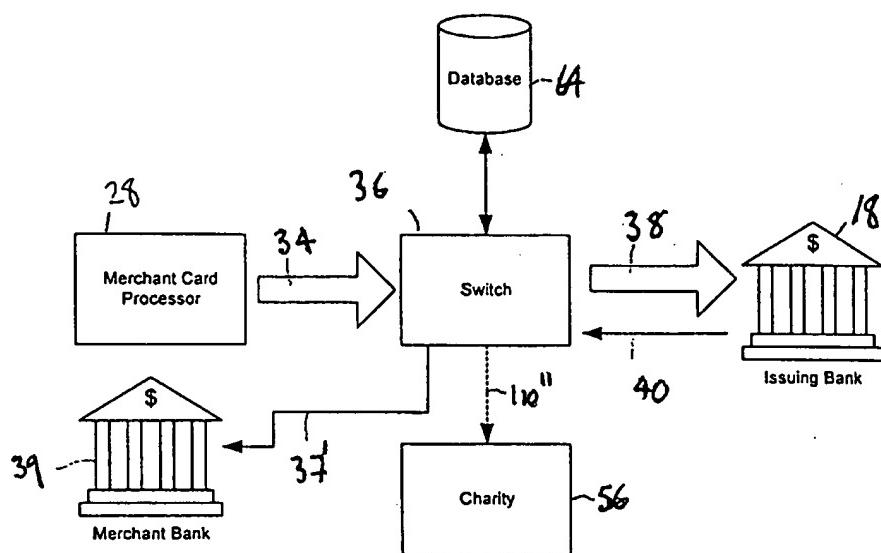
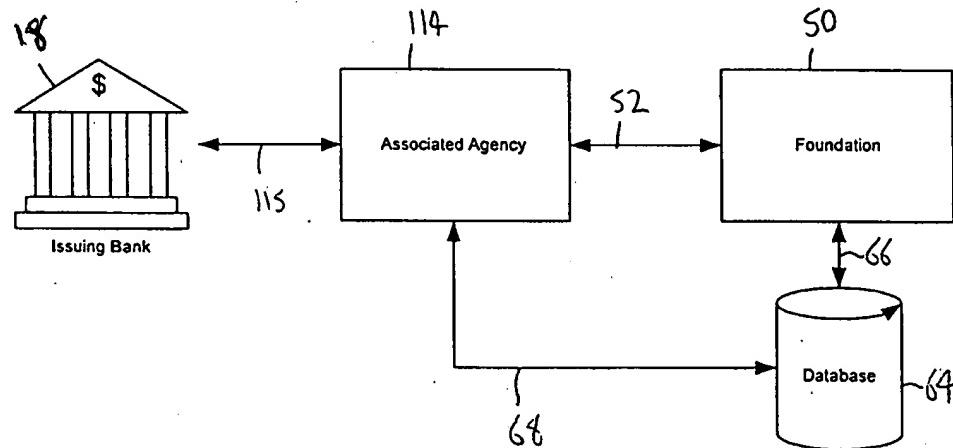
Merchant Database Components:

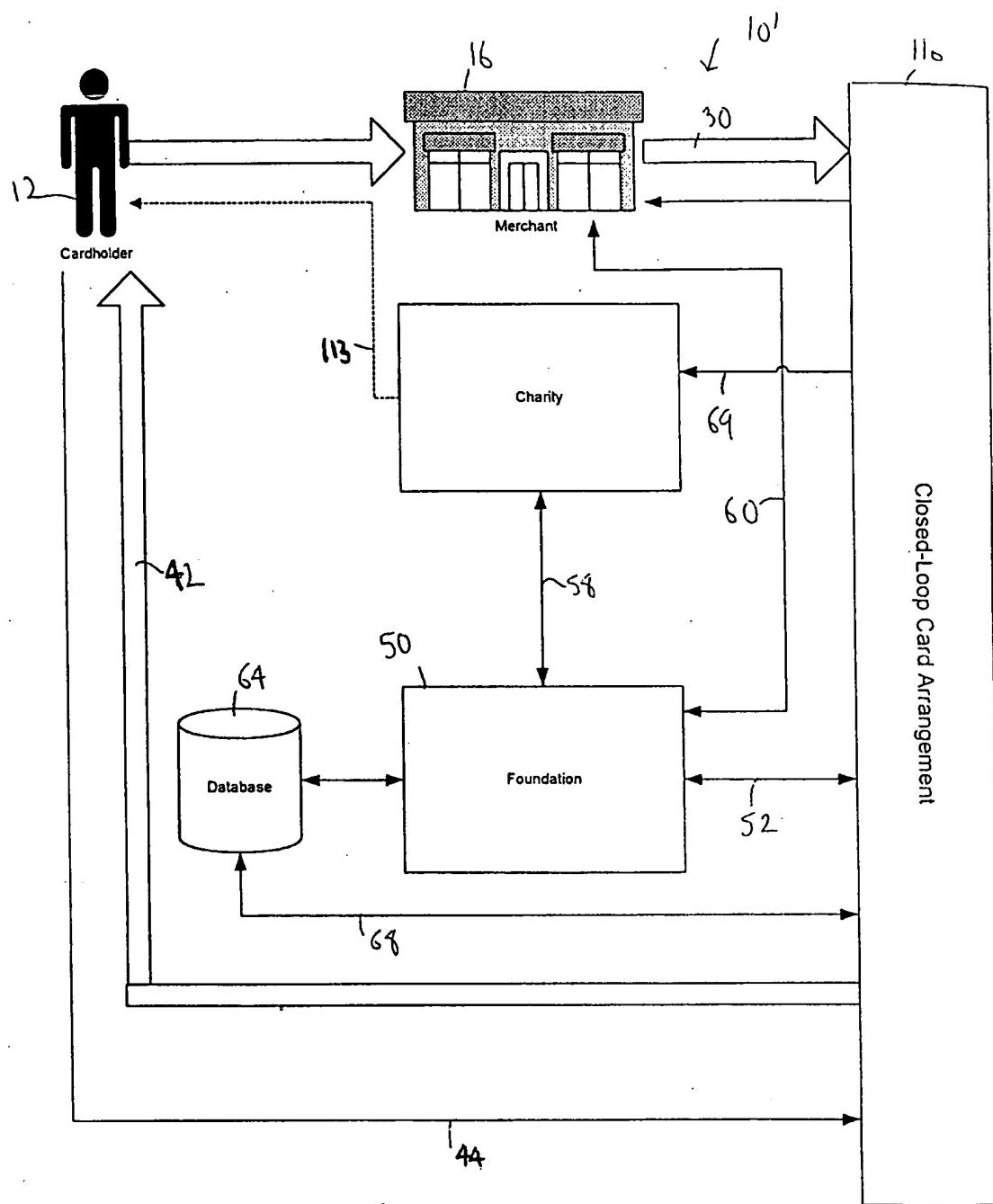
- Merchant Name
- Merchant Identifier
- Federal Identification Number
- Merchant Address Information
- Application Processing
 - Application Receipt Date
 - Application Approval Date
 - Renewal Due Date
 - Rejection Date
- Rebate Type (e.g., the percentage of contribution based on the transaction amount)
- Merchant Evaluation Scoring (e.g., accept/reject value if numeric)
- Merchant purchase rebate volumes (e.g., cumulative annual dollar amount in total, by keepers, by donors, by charity; and number of purchase rebate transactions in total, by keepers, by donors, by charity)



* Indicates Anticipated Access to Database 64

Fig. 6Fig. 7

Fig. 8Fig. 9

Fig 10